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Report Highlights: Kuwait is expected to produce 34,000 MT of broilers in CY 2003, which are mostly marketed live. Frozen Broiler imports in CY 2003 are forecast at 61,000 MT, including 50,000 MT of whole birds and 11,000 MT of boned and boneless parts. Brazil is expected to supply 38,000 of the whole birds followed by Saudi Arabia with 8,000 MT and the balance is expected to be supplied mostly by France and Denmark. Brazil and to a lesser extent the United States are expected to supply most of the boned chicken parts. Brazil, PRC and Thailand are expected to supply most of the boneless chicken parts in 2003.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

1. Production

Kuwait's broiler meat production in CY 2003 is forecast at an all time high of 34,000 metric tons (MT) compared to an estimated CY 2002 production of 33,000 MT. Two major producers account for about two thirds of the local production, while two smaller producers account for another 10 percent. The balance is produced by 10-15 small farms. An estimated 70 percent of local broiler production is marketed live, nine percent chilled and the balance frozen. Local production does not directly compete with imported broilers as local whole frozen chicken retail prices are about 40-60 percent higher than imported frozen chicken prices. Local chilled chicken prices are more than double the imported frozen chicken. This is due to the high cost of production as most inputs are imported.

2. Consumption

Kuwaiti consumers, who constitute just about 40 percent of the total population of 2.3 million, prefer live and chilled chicken produced locally. The fact that the product is fresh and slaughtered in country according to Islamic Halal requirements appeals to them. Expatriates, particularly those with low incomes, prefer cheaper, imported, frozen whole chicken. Specifically, they prefer small sized (900-1,100 grams), white skinned, individually wrapped frozen chicken. Brazilian, Saudi Arabian and European chickens are more popular than U.S. chickens as products from those countries better meet local preferences.

Poultry popularity is on the upswing on account of greater health awareness and because it is cheaper than other meats. The BSE scare in Europe and the ecological disaster that almost destroyed Kuwait's seafood industry last year are expected to shift consumption further to poultry meat at the expense of red meats and seafood.

Total chicken meat consumption is forecast at 95,000 metric tons in 2003, of which 13,000 metric tons or 14 percent are in parts. Per capita chicken meat consumption in Kuwait is forecast at about 41 kg in 2003. Total chicken meat consumption is expected to increase 2-3 percent annually. According to the trade, parts consumption is expected to increase due to their practicality.

3. Trade

Kuwait is expected to import 61,000 MT of frozen broiler meat in 2003, including 50,000 MT frozen whole broilers and 11,000 MT chicken parts. The above is slightly higher than the estimated total imports of 60,000 in 2002. Brazil is expected again to be the principal supplier of frozen whole chickens in 2003 with estimated imports of 38,000 MT, followed by Saudi Arabia with 8,000 MT. France and Denmark are expected to be smaller suppliers with 1,500 MT each while other suppliers, including Egypt will supply the balance of 1,000 MT. Brazil's share of the whole chicken market was further enhanced when "Doux", the principal French supplier in the area, opted to supply the Kuwaiti market from its production facilities in Brazil rather than France. Brazil will also be the dominant

supplier of frozen chicken parts in 2003 providing 4,000-5,000 MT of boned parts and 1,500 MT of boneless parts.

The United States is expected to supply about 2,000 MT of boned chicken parts, while PRC and Thailand are expected to provide 1,500 MT and 500 MT of boneless chicken parts respectively in 2003. According to trade sources, there is no demand for chicken leg quarters in Kuwait.

An estimated 80 percent of all imports are concentrated in the hands of 3-4 large companies, importing established Brazilian, Saudi Arabian, French and Danish brands. Another 10-15 smaller importers account for the balance of imports. Trade sources also estimate that chicken meat imports will increase about 2-3 percent annually in the coming few years. This is due to increasing consumer preference for chicken meat rather than other meats and, to a lesser degree, to a growing population.

Brazil's market share increased dramatically in the past few years at the expense of European suppliers since the reduction of EU poultry subsidies is making Brazilian chickens more competitive. Also, there is a public conception that Brazilian producers adhere more closely to Islamic Halal slaughter procedures than their European and U.S. counterparts. This latter factor has also benefitted Saudi Arabian chicken sales in Kuwait despite the fact that Saudi chickens are 40-50 percent higher in price than chickens imported from Brazil or Europe.

Brazilian and European chicken brands are also popular because of their small sizes, competitive prices and aggressive marketing. In the absence of an EEP program, U.S. whole chicken prices will not be competitive with imports from Brazil, France and Denmark. Brazil and the United States practically share, albeit unequally, the boned chicken parts market, estimated at about 6,000 metric tons annually. Several U.S. chicken part brands are currently available in the market. However, competition from Brazil is increasing because of intensive marketing efforts, including print media and TV advertising. Increased Brazilian competition is also due to smaller parts packed in retail trays, which makes them more attractive to consumers. Trade sources estimate that Brazil's share of the chicken parts market now stands at 70 percent, compared to 30 percent (or about 1,500-2,000 MT) for the United States.

Brazil, PRC and Thailand will be the principal suppliers of the boneless chicken parts market, estimated at 3,000-3,500 tons annually. Boneless parts, normally packed in 1 or 2 kg packs, are popular both with consumers and with restaurants, particularly "Shawarma" sandwich shops, because of their practicality. However, their high prices are an impediment to wider household use.

Turkey imports, mainly from the United States and to lesser degree from France and Brazil, are limited to 150 MT annually. Turkey consumption is seasonal and concentrated mostly around Thanksgiving and Christmas holidays. Duck imports, mainly from the United States, France and Canada, are estimated at 50 tons annually. About 10-15 MT of Cornish hens are also imported annually, exclusively from the United States. Finally, about 40-50 MT of quails are imported annually from Italy, Cyprus and Lebanon. There are no exports or re-exports of chicken meat from Kuwait.

According to trade sources Brazilian and French frozen whole chickens are offered, at present, at \$850 and \$900 per MT, respectively, CIF Kuwait. Danish chickens are offered at \$1,100 per MT, while

Saudi Arabian whole chickens are offered at \$1,700 per MT. Brazilian boned chicken parts are offered at \$1,150-1,200 per MT CIF Kuwait, while U.S. parts are offered at \$1,250 per MT CIF.

4. Policy, Import

There are no import duties on food products, including poultry, in Kuwait. There are also no import quotas or other trade restrictions. The following documents are required for imported poultry:

- (1) invoice,
- (2) certificate of origin,
- (3) bill of lading,
- (4) Halal slaughter certificate,
- (5) health certificate.

The invoice, certificate of origin and Halal slaughter certificate must be certified by an Arab Chamber of Commerce in the country of origin and by the Kuwaiti Embassy or Consulate in the country of origin. If these are not available, certification may be done at any other Arab Embassy or Consulate, except those of Iraq and Sudan.

Salmonella tolerance is zero. However, an unofficial 20 percent tolerance is actually enforced, based on a sample size of five birds. Each bird or tray of parts and export carton must carry a label with the following information in English and Arabic or only Arabic:

- 1) brand and product names,
- 2) country of origin,
- 3) net weight in metric units,
- 4) producer's or packer's name,
- 5) production and expiry dates (day/month/year or month/year in that order; English language digits are accepted provided no letters or codes are used), and
- 6) a statement verifying that the product is Halal slaughtered.

There is no shelf life requirement for frozen chicken products in Kuwait. Manufacturers shelf life is accepted. Most importers, however, are asking their suppliers to use a 12 month (and to a lesser degree an 18 month) shelf life for poultry products. Frozen poultry must arrive to Kuwait within 4 months from slaughtering date and with more than half its self life remaining. Biotechnology is not an issue in Kuwait, although authorities are studying the subject in consultation with other GCC countries as to whether or not to require labeling of food and/or feed enhanced products.

All processed food products imported in Kuwait, including poultry must be tested at the Ministry of Health laboratories before clearance. The clearance procedure takes from one week to 10 days. Importers may store the products in their own warehouses pending clearance.

5. Marketing

According to the trade, an estimated 70 percent of imported poultry meat is marketed through

consumer cooperative societies, who dominate the food retail market in Kuwait. An estimated 20 percent of the imported poultry is marketed through the wholesale market, and the balance of 10 percent is sold to institutional users, such as restaurants, hotels, hospitals and others. According to the same sources, the distributor's margin is 15-20 percent, the wholesaler's 10-12 percent and the retailer's margin is 10 percent.

Price is a dominant factor in consumer preferences for chicken brands, particularly among the lower income expatriate population which constitute about 60 percent of Kuwait's 2.3 million population. A survey of a major retail store in early September this year revealed that 10 brands of Brazilian frozen whole chickens were on offer at retail prices ranging from \$1.4-\$2.1 per kilo, with an average price of \$1.7 per kilo. In comparison, there was one brand of Danish whole chickens retailing at \$2.03 and one brand of French chickens retailing at \$1.5 per kilo.

The perception that chickens are truly slaughtered by the Islamic Halal procedure is very important for most Kuwaiti nationals who constitute 40 percent of the country's population as well as to some of the Arab expatriates. To illustrate this factor, the above survey also indicated the presence of two Kuwaiti brands of frozen whole chickens, two Saudi Arabian and one Egyptian brand all retailing at \$2.9 per kilo, which is 70 percent higher than the average retail price of Brazilian chickens.

On the frozen boned chicken parts side (drumsticks, thighs, whole legs), Brazil's leading brand "Sadia" was retailing at \$2.5 per 2-lb tray, while the leading French brand "Doux", produced as of last year in Brazil was retailing at \$1.95 per 2-lb tray. In comparison, two American brands' parts were retailing at \$1.68-1.81 per tray of 2-lb. Despite their higher prices, Brazilian frozen chicken parts are still outselling cheaper U.S. parts. This is due to the intensive promotional campaigns and aggressive marketing tactics followed by the Brazilian and French suppliers. Also, according to the trade, consumers in Kuwait prefer small size parts rather than the larger parts supplied by U.S. firms.

Promotional activities are important to market development in Kuwait. The Brazilians and French are very active in brand promotions. The Danes emphasize generic promotions. TV and press advertising is used aggressively by these countries. Supermarket promotions are popular and are conducted regularly by competitors. These promotions, however, appear to be less effective than TV and media advertising.

According to the trade, meeting the following requirements could increase U.S. supplier's opportunities in the Kuwaiti poultry market:

- Supply small size birds weighing between 900-1,100 grams;
- Improve the shape of produced chickens;
- Use transparent shrink wrap bags;
- Avoid the use of strip calendar label marking for production and expiry dates;
- Produce small size parts;
- Advertise and promote more;
- Provide Arabic labels or stickers.

SECTION II. TABLES

PSD Table						
Country	Kuwait					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	8	0	8	0	8	0
Production	28	30	29	33	0	34
Whole, Imports	48	54	54	50	0	50
Parts, Imports	12	8	11	10	0	11
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	60	62	65	60	0	61
TOTAL SUPPLY	96	92	102	93	8	95
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	88	92	94	93	0	95
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	88	92	94	93	0	95
TOTAL Use	88	92	94	93	0	95
Ending Stocks	8	0	8	0	0	0
TOTAL DISTRIBUTION	96	92	102	93	0	95
Calendar Yr. Imp. from U.S.	2	2	2	2	2	2

Import Trade Matrix		
Country	Kuwait	
Commodity	Poultry, Meat, Total	
Time period	JAN-DEC	Units: MT
Imports for:	2000	
U.S.	824	U.S.
Others		Others
Brazil	39336	
Saudi Arabia	6103	
France	4976	
Denmark	4093	
Thailand	736	
PRC	1266	
Germany	274	
Mexico	154	
Total for Others	56938	
Others not Listed	468	
Grand Total	58230	

Source: Annual Bulletin of Foreign Trade Statistics for 2000, Central Statistics Office, Ministry of Planning, Kuwait.